

VISION

To be a model rural municipality by providing effective and efficient sustainable services to improve the quality of life for Nkandla citizens

MISSION

We promote and facilitate social and infrastructural investment to achieve sustainable economic development and growth

STRATEGIC OBJECTIVES

1. To encourage community and stakeholders involvement in municipal developmental processes.
2. To promote service excellence by developing human capital and capability.
3. To increase municipal revenue through sound financial management practices.
4. To provide basic infrastructure for service delivery.
5. To eradicate poverty and unemployment by facilitating economic growth.

FOREWORD BY THE MAYOR

The year 2009/2010 has been the most challenging one in our Municipality in many ways. Firstly, it was a year in which we had to operate with the Acting Management after the suspension of the Municipal Manager, Director Corporate Service and the Director of Community and Economic Development Services. Their suspension ushered in a lengthy process of disciplinary hearings. We therefore had to operate with a split attention focusing on the day-to-day routine operations and the disciplinary hearings. Secondly, we had obtained a disclaimed Audit Opinion. This required us to, from time-to-time; appear from the Parliamentary Committees with a view to accounting for what we were doing in order to be able to obtain a positive Audit Opinion.

I found it relieving that the outcome of a disciplinary process confirmed what we suspected had gone wrong in the manner in which our Supply Chain Management was run. This sends out the clear message that deviations cannot be tolerated. The Supply Chain Management process has to be conducted in a way that it is accountable, transparent and free from corruption. I wish to salute all those who made it possible to win the cases. Included here is the Municipal Staff, Councilors, Investigating Team, Prosecutor and the Presiding Officer (including the support staff). Our gratitude also goes to the staff who agreed to act in the positions of those who had been suspended and the effort they put into their new responsibilities. Had it not been for their dedication and commitment, we would not be where we are. We could not have survived.

The Audit has been completed. The opinion has been expressed. Again one is duty bound to express sincere gratitude to all who stood with us, supported and guided us through out in our endeavors to obtain a Positive Audit Opinion. The Provincial Treasury extended a helping hand in the form of Municipal Support Program. This proved to be very useful and indispensable. This programme provided additional and helping hands. The Office of the Auditor –General made regular visits throughout the financial year. This helped a great deal. Their visits were an eye opener to us the office bearers. It gave us sense of what oversight role entails. It also required us to monitor progress being made in terms of getting ready for the Audit. Their support and guidance helped us a great deal. The members of the SCOPA, Local Government and Finance Portfolio Committees taught us what it meant to exercise oversight responsibilities and being accountable. It is all these collective efforts that made it possible to achieve a positive audit outcome. It is my hope that we will not look back, and strive to ensure that by 2014 we are able to achieve a clean audit with no other matters. May GOD help us stand together throughout this term and lay a sound foundation for the next term. May this year mark smooth, free and fair elections.

Municipal Manager's report

The financial year has come to an end. So many things have happened.

The period 1st July 2009-30th June 2010, though it was the twelve months period but it has been of significant importance. It is during this period where the 2010 FIFA World Cup was organized. The first ever World event organized on our African soil. 2010 is the year which will be remembered by all South Africans, all Africans and the whole world. Not only soccer lovers but everyone will have something to remember and something to tell the next generations about 2010. The 2010 FIFA World Cup was successfully organized in South Africa. The 32 Countries were represented in the World and were safe during their stay. Congratulations to Spain which on the 11th of July 2010 they were crowned the Champions for the 2010 FIFA World Cup. That was in South Africa in 2010. We salute the South African Government, LOC and all South Africans.

As the local municipality, we are at the face of the community, the door to service delivery. When people think about services, they see the municipality regardless of whether that particular service they need is within the mandated of the municipality or not. So municipality must respond to all of those equerries as if they are theirs.

Municipality had planned its activities to be in line with the five National Key Performance Area (KPA's) which are:

Good governance and democracy

Institutional Transformation

Financial Viability and Management

Infrastructural Development and Basic Services

Socio-Economic Development

MUNICIPAL DEPARTMENTS

Nkandla Municipality had five departments (including the Office of the Municipal Manager) as key strategy to implement these *five National Key Performance Areas*:

A. THE OFFICE OF THE MUNICIPAL MANAGER

This is the Strategic and Monitoring Office of the municipality which deals mainly with issues of *Good governance and Democracy*.

The municipality has developed and implemented many programmes in order to effectively address and give answers to the question of Good Governance and Democracy.

Programmes and activities implemented in the financial year under review are:

A.1. Public Participation

A.1.1 Development of the Integrated Development Plan (IDP) (& Budget).

The process plan was developed and submitted to the Department of Local Government and Traditional Affairs for comments.

Provincial Departments are always invited to participate in the IDP formulation. Though we do not often enjoy the full support from departments but this process gives us the opportunity to align our plans and include plans which the sector departments are having for Nkandla. This still requires more commitment from Provincial departments and organizations.

A.1.2. Ward Committees

Ward Committees are in place in all fourteen wards; however, there have been no constant operations of ward committees simply because many members would go to other places to look for decent jobs. This would leave some other ward committees not functional at all. This demanded a quick response in as far as their resuscitation is concerned; hence the resuscitation of those limping ward committees was undertaken

A.1.3 Communication and Public Relations

This function is important in keeping municipality in touch and visible to the community. Our communication enabled the municipality to communicate programmes and services which are planned for the communities. As part of our broader communication, the following activities were performed:

News paper articles were published

Radio slots were organized in different National and Community Radio stations which are listened by the majority of the local people, whereby the Mayor would communicate programmes & services to the people.

2 x IDP and Budget Izimbizo were organized, one in October 2009 and the other one in June 2010. From February to March 2010, we had about 32 sessions at ward level to meet the communities with an aim of collecting information regarding the needs of the communities.

A.2 Internal Audit

This service was outsourced to the Professional Internal Audit firm. This was to ensure the effective, efficient and economical service to be rendered to the municipality.

A.2.1 Function of the Internal Audit

The Internal Audit function assists management in achieving goals of the municipality by evaluating the process through which:

- Goals and values are established and communicated;
- Risk and control information is communicated;
- The accomplishment of goals is monitored (organizational performance);
- Accountability is ensured and corporate ethics and values are preserved

A.2.2 Risk Management

Internal Audit function and services are meant to assist management of the municipality in identifying, evaluating and assessing significant strategic and organizational risks and to provide independent, objective assurance as to the effectiveness of related internal controls.

Furthermore, Internal Audit further is there to assist management by examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of the risk management process within the municipality.

A.2.3 Controls

Internal Audit evaluated whether the internal control upon which management relied to mitigate the risks down to acceptable levels, were appropriate and functioning as intended and developed recommendations for enhancement or improvement in the control environment.

A.2.4 Implementation of the Internal Audit Recommendations

The Internal Audit Reports are produced quarterly. The Internal Audit Report was made 'a standing item' in all the Management Committee Meeting whereby the action plan was developed to implement all recommendations made as part of responses to queries raised through Internal Audit reports

A.3 Establishment and functioning of Audit Committee and PMS Audit Committee (as oversight committees)

The Audit Committee and PMS Audit Committee were established and were fully functional throughout the financial year. These two committees would be sitting on quarterly basis o asses the performance and operations of the organization.

A.4 Development of Municipal Turnaround Strategy (MTAS)

Municipalities were required to develop their own Turn-around Strategy to deal with critical issues with direct impact to service delivery.

The municipality was to come up with ten priorities for change (MTAS)

1. Basic service delivery
2. Filling of critical vacancies
3. Clean audit
4. Public Participation
5. Local Economic Development
6. Community health (HIV/AIDS, TB, etc) Strategy
7. Education & Training
8. Youth, Women & People with Disability Development Programmes
9. LED & Comprehensive Rural Development Programmes
10. Revenue and Debtors Management

B. CORPORATE SERVICES DEPARTMENT

This department is strategically positioned so as to deal mainly with issues of *Institutional Transformation* as core function.

This department renders the following functions:

B.1 Administration

- B.1.1** office auxiliary services (switchboard, reprographic, typing, office cleaning, and office security)
- B.1.2** administrative support services (registry and archiving, by-laws, contracts, policies, notices and general administrative enquiries)
- B.1.3** customer care services.
- B.1.4** committee services to Council, Portfolio Committees, Management Committee and Audit Committee meetings (provision of secretariat services)

B.2 Human Resources

- B.2.1** Coordination of staff procurement services
- B.2.2** Coordination of skills development and training services
- B.2.3** Provision of labour relations services
- B.2.4** Coordination of the individual performance appraisal
- B.2.5** Administration of conditions of service, service benefits and personnel administration

B.3 Fleet Management Services

- B.3.1** Provision of fleet management service for the organization
- B.3.2** Provision of advices and recommendations on actions to be taken by Council, in buying or disposing its vehicles.

B.4 Legal services

B.4.1 Provision of litigation services

B.4.2 Provision of legal advisory services

B.4.3 Coordination of the development, administration and maintenance of by-laws, policies, contracts and service agreements

B.5 Information & Communication Technology (ICT)

B.5.1 Management of data and telephone networks

B.5.2 Maintenance and updating of the ICT policy to ensure the uninterrupted ICT service

B.5.3 Provision of ICT audit including network capabilities, software audit, existing equipment and skills.

B.6 Occupational Health and Safety

B.6.1 Ensuring the healthy and safe environment of all employees in the work place

B.7 Records management

B.7.1 Provision of proper record keeping system. This, however, still needs more improvements, which are being put in place

C. COMMUNITY SERVICES AND ECONOMIC DEVELOPMENT SERVICES DEPARTMENT

This department is strategically positioned so as to deal mainly with issues of *Social and economic development services* as core function. This department renders the following functions:

C.1 Local Economic Development and Tourism Services

C.1.1 Initiation, implementation and maintenance of LED and Tourism activities in the municipal area

C.2 Youth Development

C.2.1 Coordination of Youth Development Programmes

C.3 Women Development Programmes

C.3.1 Coordination of Women Empowerment Development Programmes

C.4 Integrated Early Childhood Development

In 2009/10 we were very active in the War rooms and Flagship programme which is facilitated in the Office of the Premier. ECD Practitioners, Children (including OVCs) and Men were direct beneficiaries in these programs. Some ECD sites were assisted with the infrastructure, i.e. buildings and toys for the children during this year.

The municipality worked on the strengthening the HIV/AIDS institutional arrangement including the following:

- *Development of Nkandla HIV/AIDS Strategy*
- *Actively participation in the Flagship Programme both in District & Local levels and in War rooms*

C.5 Community Safety and Disaster Management

The Crime Prevention is the responsibility of the South African Police Service (SAPS) but there are municipal initiatives in respect of community safety and disaster management.

The municipality in partnership with Nkandla SAPS has established the Nkandla Crime Prevention Stakeholders Forum (NCPSF) to deal with issues pertaining to crime prevention. This NCPSF is made up of senior officials of the following sectors:

- Nkandla Municipality
- Nkandla SAPS
- Nkandla Department of Social Development
- Nkandla hospital
- NGOs working in Nkandla

For Disaster Management services, the municipality entered into shared service contract with Rural Metro. The shared service is administered by uThungulu District Municipality and this only covers fire disasters. For winds and storm(including lighting) and other disasters, Nkandla Municipality in partnership with uThungulu District Municipality and Department of Social Development then provide assistance.

C.6 Disability development and empowerment

The municipality has been very active in the issues of disability under the leadership of Cllr BV Khanyile as the councilor assigned by the Municipality to this function. We participated in the provincial function on observing the international day for disabled. Cnlr B.V. Khanyile was also the uThungulu District Municipality's District Disability Forum. There are trainings which were provided by the Municipality in partnership with other NGOs for the people with disabilities

C.7 Cultural Development

The annual Zulu dance competitions were organized on three levels, Ward level, Municipal level and District level. Some of our Zulu Dancers were even invited to participate in the provincial Cultural Events

C.8 Sports and Recreation

Nkandla Municipality had ten active sporting codes during this year. They include the following:

C.8.1. Soccer – **NKAFA** (Metropolitan, Domestic, Junior and women soccer league)

C.8.2. Dance (Ballroom & Latin American)

C.8.3. Karate

C.8.4. Boxing

C.8.5. Volleyball

C.8.6. Indigenous Games

C.8.7. Rural Horse Riding

C.8.8. Athletics

C.8.9. Table Tennis

C.8.10. Aerobics

Nkandla participated in a number of tournaments outside including the national boxing tournament where the province was represented by Nkandla Boxing Team. We also participated in the District Annual Salga games organized and hosted by Uthungulu District (Richards Bay) and Provincial SALGA Games hosted by uMgungundlovu District Municipalities (in Pietermaritzburg)

Nkandla Municipality is also effectively and actively involving youth through the Siyadlala Programme. There are different HUBS that were established in different strategic corners of Nkandla to ensure balanced benefit to the majority of Nkandla sports lovers.

C.9 Library Services

The library worked as an information centre academically and in general. It hosted a number of schools on its orientation program of the year. It also assisted through displays on awareness's and in observing certain significant days.

D. TECHNICAL SERVICES

This department is strategically positioned so as to deal mainly with issues of *Infrastructural Development and Basic services* as core function.

This department covers the following functions:

- D.1 Capital Projects
- D.2 Development Planning
- D.3 Operations and Maintenance
- D.4 Geographic Information System (GIS)
- D.5 Waste Management
- D.6 Electricity reticulation in Nkandla Town

E BUDGET AND TREASURY

This department is strategically positioned so as to deal mainly with issues of *Financial Viability and Management* as core function.

This department covers the following functions:

- E.1 Financial accounting and Budget
- E.2 Expenditure Management
- E.3 Revenue Management
- E.4 Supply Chain Management
- E.5 Property Rates Management

MUNICIPAL COUNCILORS

EXECUTIVE COMMITTEE

1. His Worship the Mayor : Cnllr Z.O. Zulu (Ward 5) (IFP)
2. Deputy Mayor : Cnllr N.F.J. Nzuza (Ward 6) (IFP)
3. The Speaker (Ex-officio) : Cnllr M.J. Mkhize (Ward 12) (IFP)

4. Cnllr S.Z. Dlamini : Exco Member (Ward 1) (IFP)
5. Cnllr B.Z. Mncadi-Mpanza : Exco Member (Ward 11) (ANC)
6. Cnllr T.M. Sosibo : Exco Member (Ward 10) (IFP)

OTHER COUNCILORS

IFP COUNCILORS

- 1 Cllr ML Mncube (PR: Ward 5)
- 2 Cllr MTMajozi (Ward 11)
- 3 Cllr BC Basi (PR: Ward 12)
- 4 Cllr BB Dlomo (Ward 3)
- 5 Cllr MT Khumalo (PR: Ward 7)
- 6 Cllr SE Dlomo (PR: Ward 14)
- 7 Cllr SL Mthembu (Ward 8)
- 8 Cllr SE Mahaye (PR: Ward 3)
- 9 Cllr NM Nkwanyana (Ward 14)
- 10 Cllr MN Mthombeni (Ward 7)
- 11 Cllr SN Masikane (Ward 13)
- 12 Cllr SE Mhlongo (Ward 10)
- 13 Cllr SO Sibiya (Ward 2)
- 14 Cllr BV Khanyile (PR: Ward 11)

- | | | |
|----|------------------|---------------|
| 15 | Cllr TM Dladla | (Ward 9) |
| 16 | Cllr NZ Zuma | (PR: Ward 14) |
| 17 | Cllr PM Khanyile | (Ward 4) |
| 18 | Cllr JB Khumalo | (PR: Ward 6) |

ANC COUNCILORS

- | | | |
|----|------------------|---------------|
| 1. | Cllr M Zuma | (PR: Ward 14) |
| 2. | Cllr FK Magubane | (PR: Ward 6) |
| 3. | Cllr PR Dlamini | (PR: Ward 5) |

COMMITTEE STRUCTURES

For its balanced performance, Nkandla Municipality being governed by Local Government and other legislations, has established committees as follows:

EXECUTIVE COMMITTEE (EXCO)

- | | | |
|----|-------------------------|---------------------------------|
| 1. | His Worship the Mayor | : Cnllr Z.O. Zulu (Chairperson) |
| 2. | Deputy Mayor | : Cnllr N.F.J. Nzuza |
| 3. | Cllr S.Z. Dlamini | : Exco member |
| 4. | Cllr B.Z. Mncadi-Mpanza | : Exco member |
| 5. | Cllr T.M. Sosibo | : Exco member |

FINANCE PORTFOLIO COMMITTEE

- | | | |
|----|-----------------------|--------------------------------|
| 1. | His Worship the Mayor | : Cnllr Z.O.Zulu (Chairperson) |
| 2. | Cllr M.L. Mncube | : Member |

- | | | |
|----|---------------------|----------|
| 3. | Cllr M.N. Mthombeni | : Member |
| 4. | Cllr P.M. Khanyile | : Member |
| 5. | Cllr J.B. Khumalo | : Member |
| 6. | Cllr M.T. Khumalo | : Member |

CORPORATE SERVICES PORTFOLIO COMMITTEE

- | | | |
|----|--------------------------|---------------|
| 1. | Cllr. B.Z. Mncadi-Mpanza | : Chairperson |
| 2. | Cllr. S.O. Sbiya | : Member |
| 3. | Cllr. M. Zuma | : Member |
| 4. | Cllr. N.Z. Zuma | : Member |
| 5. | Cllr T.M. Dladla | : Member |
| 6. | Cllr. S.E. Dlomo | : Member |
| 7. | Cllr. S.L. Mthembu | : Member |

COMMUNITY & ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE

- | | | |
|----|----------------------------------|-----------------|
| 1. | Cllr N.F.J. Nzuza (Deputy Mayor) | : (Chairperson) |
| 2. | Cllr B.V. Khanyile | : Member |
| 3. | Cllr S.E. Mhlongo | : Member |
| 4. | Cllr T.M. Sosibo | : Member |
| 5. | Cllr S.E. Mahaye | : Member |
| 6. | Cllr B.B. Dlomo | : Member |
| 7. | Cllr P.R. Dlamini | : Member |

TECHNICAL & PLANNING SERVICES PORTFOLIO COMMITTEE

- | | | |
|----|---------------------|---------------|
| 1. | Cllr S.Z. Dlamini | : Chairperson |
| 2. | Cllr S.N. Masikane | : Member |
| 3. | Cllr M.N. Nkwanyana | : Member |
| 4. | Cllr M.T. Majozi | : Member |
| 5. | Cllr F.K. Magubane | : Member |

6. Cllr B.C. Basi : Member

STANDING RULES AND ORDERS COMMITTEE

1. Cllr M.J. Mkhize (The Speaker) : (Chairperson)
2. Cllr. Z.O.Zulu (Mayor) : Member
3. Cllr. S.Z. Dlamini : Member
4. Cllr. N.F.J. Nzuza (Deputy Mayor) : Member
5. Cllr. T.M. Sosibo : Member
6. Cllr. F.K. Magubane : Member

AUDIT COMMITTEE

1. Mr. M.D.K. Mthembu : Chairperson
2. Ms. P.L. Masiteng : Member
3. Ms T.T.C. Hlongwa : Member

PERFORMANCE AUDIT COMMITTEE

1. Ms. P.S. Mbatha : Chairperson
2. Mr. S.B.S. Sibisi : Member
3. Mr. M.E. Mpungose : Member

OTHER COMMITTEES

Local Labour Forum

1. Cnllr. B.Z. Mncadi-Mpanza : Chairperson
2. Cnllr T.M. Dladla : Council member

3. Union Representative : 2 IMATU Members
4. Union Representative : 2 SAMWU Members
5. Management Committee : 2 Manco members

BID COMMITTEES

Nkandla Municipality has established the following Bid Committees according to section 26-29 of the Municipal Supply Chain Management Regulations:

1. Bid Specifications Committee
2. Bid Evaluation Committee
3. Bid Adjudication Committee

MUNICIPALITY INFORMATION

CATEGORY OF THE MUNICIPALITY

CATEGORY B

AUDITORS

OFFICE OF THE AUDITOR GENERAL

REGISTERED OFFICE

NKANDLA MUNICIPLAITY

292 MAREE ROAD

NKANDLA

PRIVATE BAG X 161

NKANDLA

3855

TELEPHONE : 035 833 2000

FAX : 035 833 0920

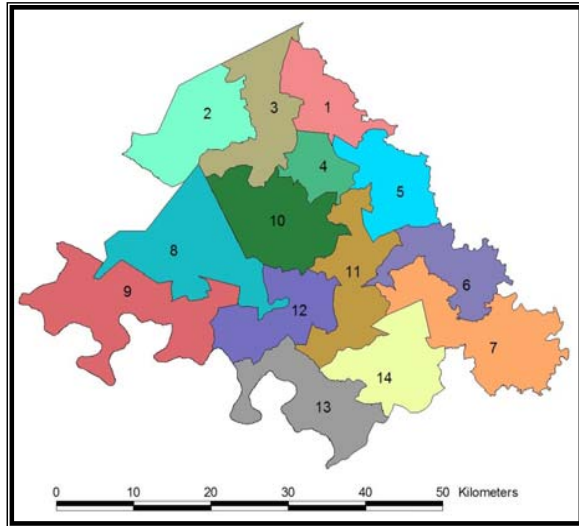
MUNICIPAL MANAGER (ACTING)

Mr. N.M. MNYANDU

CHIEF FINANCIAL OFFICER

Ms A.Z. NTSHANGASE

GEOGRAPHICAL AND DEMOGRAPHIC PROFILE



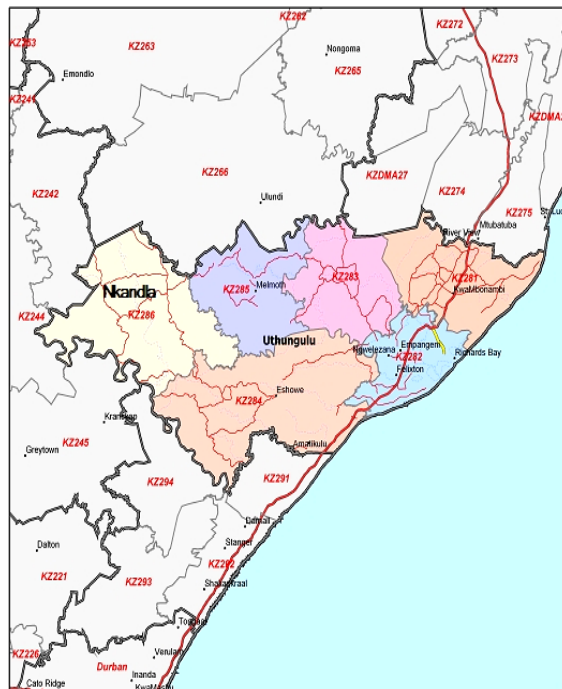
The verification process is informed by Chapter 6, Section 38-49 of the Municipal Systems Act no.32 of 2000, Municipal Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers and Section 72 of the Municipal Finance Management Act no.56 of 2003

Population: 133602 (2001 Stats South Africa)

Wards: 14 wards in each ward an average of about 9000 people

Voters: Currently 45776 registered voters

Accessibility: Through road network which is currently under poor state



Infrastructural Development: Slow due to among other things road network

Work Opportunities: High rate of unemployment

Indigence: Highly dependent on Government grants and free basic services

Institutional Challenges: Minimal revenue generation which negatively impact on the growth of the organization.

POWERS AND FUNCTIONS OF NKANDLA LOCAL MUNICIPLAITY

The Powers and Functions of Nkandla Municipality are derived from the provisions of Section 85 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998). The following table reflects a list of the powers and functions to be performed by the municipality.

POWERS AND FUNCTIONS OF NKANDLA LOCAL MUNICIPLAITY

LOCAL FUNCTION	DISTRICT FUNCTION	SHARED FUNCTION
<ul style="list-style-type: none">• Air pollution control• Building Regulations Enforcement• Child Care Facilities• Pontoons, Jetties, Ferries, Piers, Harbours• Storm water Management• Trading Regulations• Beaches and amusement Facilities• Billboards and display of Advertisement in Public Places• Cleansing• Control of Public Nuisance• Control of sale of liquor to the Public• Facilities of the accommodation, Care and Burial of Animals• Fencing Fences• Licensing of dogs• Local amenities• Local Sports Facilities• Municipal Parks and	<ul style="list-style-type: none">• Portable Water• Sanitation	<ul style="list-style-type: none">• Municipal Health Services• Electricity (Eskom)

<ul style="list-style-type: none"> Recreation Noise Pollution Pounds Public Places Street Trading Street Lighting Traffic and Parking Fire Fighting Services Local Tourism Municipal Airport Municipal Planning Municipal Public Transport Cemeteries, Funeral Parlours and Crematoria Markets Municipal Abattoirs Municipal Roads Refuse Removal, Refuse Dumps and Solid Waste 		
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ERADICATION/ALLEVIATION OF POVERTY

Poverty relief can only be achieved if sufficient employment opportunities are created within the local economy. It is of most importance to focus more efforts on improvements in the Agricultural Sector and to capitalize on the tourism potential.

PROVISION OF WATER

The provision of water is the area of competence of uThungulu District Municipality in terms of Water Services Development Plan. This has identified all the needs in the uThungulu District and in Nkandla Area in particular. Water is therefore to be provided in a phased manner in terms of the plan.

PROVISION OF SANITATION

As the case with the provision of water, sanitation is addressed by uThungulu District Municipality in terms of its water and sanitation Service Development Plan.

ROAD IMPROVEMENTS

Roads and road access improvements are implemented to connect rural communities to community facilities such as schools, hospitals, clinics, community halls, etc; as well as with the town and other shopping centers. The improvement of roads infrastructure is instrumental in improving agricultural production and produce distribution.

ACCESS IMPROVEMENTS

Access improvements are currently limited to the construction of low-level causeway (ferries). The municipality has over the last four years, made a meaningful contribution in the construction of low-level causeways and of upgrading rural roads with the co-operation of the Department of Transport.

PROVISION OF ELECTRICITY

The provision of electricity service in Nkandla town is currently rendered by uThungulu District on behalf of Nkandla Municipality. The remainder of the municipal area (which is under Ingonyama Trust) is serviced by Eskom.

Nkandla Municipality has developed the Nkandla Electricity Five year Roll-out plan which was done in collaboration with Eskom. The Five year plan prioritizes areas to be electrified over the period of five years and it is reviewed annually.

Currently, there are more than 3000 connections which are in the pipeline and other connections in the engineering stage.

PROVISION OF HEALTH-CARE FACILITIES

The KwaZulu Natal Department of Health holds the specialized overall responsibility for the provision of hospitals and clinics. The municipality only provides soft Health care services (e.g. training of home care bearers, training on HIV/AIDS and other communicable diseases). The municipality also plays its part by pulling all role players together for the benefit of Nkandla people in health care service.

IMPROVEMENTS IN SAFETY AND SECURITY

This is the responsibility of the South African Police Service (SAPS) but there are municipal initiatives in respect of community safety and disaster management.

The municipality in partnership with Nkandla SAPS has established the Nkandla Crime Prevention Stakeholders Forum (NCPSF) to deal with issues pertaining to crime prevention. This NCPSF is made up of senior officials of the following sectors:

- Nkandla Municipality
- Nkandla SAPS
- Nkandla Department of Social Development
- Nkandla hospital
- NGOs working in Nkandla

PROVISION OF HOUSING

This is the function of KwaZulu Natal Department of Human Settlement (former known as Department of Housing). In this respect Nkandla Municipality is the developer and its role is to facilitate the appointment of the Implementing agents and signing of tripartite agreement between KwaZulu Natal Department of Human Settlement (formerly known as Department of Housing), Nkandla

PROVISION OF SPORTS GROUNDS, COMMUNITY SERVICE CENTRE AND COMMUNITY HALLS

The provision of sports grounds, community centres and community halls have been attended to by Nkandla Municipality and some by uThungulu District Municipality.

SOLID WASTE DISPOSAL FACILITIES

Nkandla Municipality is having the licensed waste disposal facility. The site is now about to reach its full capacity and requires extension

EDUCATIONAL FACILITIES

The provision of educational facilities is the responsibility of the specialized KwaZulu Natal Department of Education

PERFORMANCE MANAGEMENT REPORT

Section 41 (1) (a) of the municipal systems act 32 of 2000 states that the Municipality must set appropriate key performance indicator as a yard stick for measuring performance including outcomes and impact ,with regard to the Municipality development priorities and objectives set out in its Integrated Development Plan.

c) Report to council, other Political structures, Municipality staff and public

Section 46(1) a Municipality must prepare for each financial year a performance report reflecting-

a) The performance of the Municipality and of each external service provider during that financial year,

b) Comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year and

c) Measures taken to improve performance

(2) An annual performance report must form part of the Municipality annual report in terms of Chapter 12 of the Municipal Finance Management Act.

NATIONAL KPA		INFRASTRUCTURE AND SERVICES					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
Basic Services	Ensure Nkandla remains the cleanest town	Town cleanliness	Town to be maintained clean at all times.	done	Town to be maintained clean at all times.	Done by appointed service provider on daily bases	

NATIONAL KPA		INFRASTRUCTURE AND SERVICES					
KPA	Objective	KPI	2008/9		2009/10		Status and
	Ensure that roads and storm water are in good condition	Implement maintenance plan for roads and storm water	Maintenance plan for roads and storm water available and implemented	done	Maintenance plan for roads and storm water available and implemented	Partial implemented by service provider	Maintenance to be implemented fully in 2010/11
	To ensure that roads development process is taken forward to increase economic growth of the area	Implement processes for roads development	Commencement of the development process	The roads development plan was developed	Implementation of the Development plan	The application for funding was done and sent to CoGTA. R 11.3 million was received.	
Customer Satisfaction	increase in customer satisfaction with municipal service delivery	Percentage (number) of households with access to basic electricity	Ensure rapid provision of electricity to 1000 house holds	Not done	Ensure rapid provision of electricity to 1500 house holds	Electrification to 3000 households in progress	To be completed in 2011
	increase in customer satisfaction with municipal service delivery	43 Percentage of households with access to basic sanitation	57 percent households to have basic sanitation	Only 43% had access to basic sanitation	57 percent (8251)households to have basic sanitation	This was removed from the activities to be performed by Nkandla LM since this is a district function	Water and sanitation are the functions allocated to the District Municipalities. The Local municipalities only facilitate.

NATIONAL KPA		INFRASTRUCTURE AND SERVICES					
KPA	Objective	KPI	2008/9		2009/10		Status and
Customer Satisfaction	increase in customer satisfaction with municipal service delivery	68 Percentage of households with access to basic water	32 percent households to have access to basic water	Not done	32 percent households to have access to basic water	Not done	It was agreed amongst the Management and Council that the water and sanitation targets be removed from the Performance Plans. The reason behind was that since this is the District function, Nkandla Municipality does not have control over it.
MIG Budget		100% of MIG budget spent	Seven projects implemented with MIG funding by 30/ 06/ 2010	88,3% budget spent 6 projects completed	Eight projects implemented with MIG funding by 30/ 06/ 2010	48,99% budget spent and four projects completed	The budget has already committed for payment of the four projects
		% of total municipal capital budget spent in applicable nodes as per the PSEDs		Not done	To develop nodal framework plans	Developed and completed	Nodal framework to be approved by council due to provincial planning and development act.
	To promote spatial development and appropriate land use management	Complete and adopt plans of LUMS and Town planning Scheme	To have plans of LUMS and Town planning scheme	done	To have LUMS and Town planning scheme reviewed	Done approved by council	

NATIONAL KPA		FINANCIAL VIABILITY AND MANAGEMENT					
KPA	Objective	KPI	2008/9	Actual	2009/10	Actual	Status and Comments (Actions to correct and time frames)
			Target		Target		
Financial Viability	To promote sound financial management by complying with the MFMA 56 of 2003	Ensure complete compliance with the MFMA	AFS done	AFS done and submitted on 31 August 2008	To prepare and submit the AFS by the 31 st August 2009)	AFS done and were submitted on 31 st August 2009	
Cost recovery	To manage municipal finances in an effective manner to maximize value for all municipal resources.	Credit and debt Recovery policies reviewed/improved	Credit and debt Recovery policies reviewed/improved	Done and approved by council in May 2009	Credit and debt Recovery policies reviewed/improved	Done and approved by council on 27 May 2010	
		R300 000 improved cost recovery with respect to trading services: municipal rates	R300 000 improved cost recovery with respect to trading services: municipal rates	R342 387.75 has been collected from property rates	R300000 improved cost recovery with respect to trading services: municipal rates	R432166.81 has been collected from property rates	
		R70 000 improved cost recovery with respect to trading services: refuse	R70 000 improved cost recovery with respect to trading services: refuse	R8,990.00 has been collected to refuse removal	R70 000 improved cost recovery with respect to trading services: refuse	R15962.55 has been collected to refuse removal	

NATIONAL KPA		FINANCIAL VIABILITY AND MANAGEMENT					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
		R 3,559,652.00 improved cost recovery with respect to trading services: other	R 3,559,652.00 improved cost recovery with respect to trading services: other	R2,177,681.61 has been collected to trading services	R 3,559,652.00 improved cost recovery with respect to trading services: other	R2,268,562.75 has been collected to trading services	
Budget/IDP alignment	To have a financial plan that is transparent to members of council	% of capital budget actually spent on capital projects identified in the IDP	Prepare the IDP /Budget process plan	Done and adopted by council	Prepare the IDP /Budget process plan	Adopted by council on the 31 st August 2009	

NATIONAL KPA		DEMOCRACY AND GOVERNANCE					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
Ward Committees	To encourage community and stake holders involvement processes	100% improvement in attendance at ward committee meetings	4 Times a year meeting to held at Municipality	4 meetings was held	4 times a year meeting to be held at Municipality	4 meetings was held	

NATIONAL KPA		DEMOCRACY AND GOVERNANCE					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
	To encourage community and stake holders involvement processes	14 number of ward committees established	Communicate The IDP AND PMS framework	Done and monitored by ward councilors	Involvement of ward committees in the IDP AND communicate performance framework and reporting	Done and monitored by ward councilors	
	To ensure accountability and transparency in administration	Number of ward committees functional and number of ward committees trained	14 ward committees to be made functional	Ward committees attended four Municipal Meeting	14 ward committees to be made functional	Ward committees attended four Municipal ward committee meetings	
	To ensure accountability and transparency in administration	Have functional Audit Committee, PMS Audit committee and internal Audit Unit.	To have Audit Committee, PMS Audit Committee and Internal Audit Firm appointed.	The audit committees and internal audit service provider were approved appointed	To have Audit Committee, PMS Audit Committee and Internal Audit Firm appointed	All committees were appointed and are functioning	

NATIONAL KPA		DEMOCRACY AND GOVERNANCE					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
		Annual Report	Approved Annual Report	The annual report was approved in January 2009	Approved Annual Report	The Annual report was approved in January 2010	
Customer satisfaction	To ensure that the developmental mandate of the Municipality is understood by all the Municipal stake holders	Ensure that decision making is streamlined with implementation	Budget and IDP adoption	Budget and IDP approved and adopted by council	Budget and IDP adoption. Updating the Municipal website	Not done	To operate and functioning at the beginning of 2010/11 financial year
	To ensure that the Municipal as an organization operates effectively and efficiently in a transparent manner	Reviewed ,updated and finalized communication strategy	Implementation of the Municipality Communication strategy	done	Updating the Municipal website.	The process of design the municipal website as started	To function at 2010/11 financial year
	To ensure the existing of the community participation programme	Report on Imbizo and Completed/approved IDP and budget	To have community driven IDP and Budget	Done IDP adopted and aproved	3 IDP Imbizo to be done and have community driven IDP and Budget	2IDP Imbizo were done and IDP was adopted	Financial constrains was the cause of non achieving the 3 rd IDP imbizo that was planned

NATIONAL KPA		SOCIAL AND ECONOMIC DEVELOPMENT					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments Actions to correct and time frames)
			Target	Actual	Target	Actual	
LED and JOB Creation	To grow the economy of Nkandla by promoting local business entrepreneurs and capacity emerging entrepreneurs	Number of jobs created	Formation of Nkandla LED Forum	done	Create 10 jobs to alleviate poverty	68 Job opportunities created through gijima funding	
		Training of women cooperatives	-	-	To train at least 20 cooperatives in 4 wards	More than 20 cooperatives were trained	In 2008/9 the target was to train co-operatives without focusing on women.
	To reduce the prevalence of poverty, HIV/AIDS and other communicable disease	To have functional HIV/AIDS structure to reduce the prevalence of poverty, HIV/AIDS and other communicable diseases	Conduct VCT campaigns in different wards	Not done	Review HIV/AIDS strategy	Not done	To appoint community development officer and to be reviewed on the second quarter
Social infrastructure	To promote self sustenance through capacitating Nkandla Community with emphasis on vulnerable groups	Youth development	Organize youth day annually	done	Organize youth day annually	Done on the 29/06/ 2009 At Tulwane	

NATIONAL KPA		SOCIAL AND ECONOMIC DEVELOPMENT					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments Actions to correct and time frames)
			Target	Actual	Target	Actual	
		Functional IECDI Unit	6 Community Service Centre with crèche facilities to be built	6 Community Service Centres with crèche facilities were constructed	5 ECD Sites to be allocated to five CSC	3 crèches established	

NATIONAL KPA		TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
Workplace Skills Plan	To Promote skills development through capacity building	R- of the municipality's budget actually spent on implementing its workplace skills plan	Assessment of skills, competence, And responsibilities versus post and to develop a plan	Assessment was done and WSP was done and submitted	To train 6employees to be Training undertaken as per WSP	13 trained	
Employment Equity	Align the organizational structure to the IDP	One person from the designated group employed	Organizational structure reviewed and updated by 30/06/2009	The organizational Structure was done and approved by Council	Organizational structure reviewed and updated by 30/06/2010	Done and One youth employed	

NATIONAL KPA		TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT					
KPA	Objective	KPI	2008/9		2009/10		Status and Comments (Actions to correct and time frames)
			Target	Actual	Target	Actual	
		Number of people with disabilities employed in the highest management levels in the municipality	One disable person to be employed	Not done	One disabled person to employed	Done one appointment was made	The disabled was appointed on temporal basis and the post was permanently filled in the following financial year (2009/2010)
		One women employed in the highest management levels in the municipality	One women to be employed in the highest management position	Done CFO was appointed	Four women employees to be employed	Four women employees were appointed	
	To improve productivity and accountability staff through an effective Municipal Performance Management System	Functional performance Management System and SDBIP	Develop a plan on promotion of Service excellence	Done	OPMS developed and reviewed for implementation by 30/06/2009	Done	

ANNUAL REPORT SUMMARY OF SCORES

NKPA	TOTAL TARGETS	TOTAL TARGETS MET	TARGETS %	TARGETS NOT MET	TARGETS NOT MET %
DEMOCRACYANDGOOD GOVERNANCE	7	6	69%	1	11%
INSTITUTIONAL TRANSFORMATION	5	5	80%	-	-
INFRASTRUCTURAL DEVELOPMENT	9	8	71%	1	9%
SOCIO ECONOMIC DEVELOPMENT	6	4	53%	2	27%
FINANCIAL VIABILITY	6	6	80%	-6	-

SUMMARYOF TARGETS

TOTAL TARGETS : 33 = 80 %

TOTAL TARGETS MET : 29 = 70 %

TOTAL TARGETS NOT MET : 4 = 10 %

CORE COMPETENCIES

KPA'S	Core- Managerial Competencies	Core- Occupational Competencies	Score	%
SOCIO-ECONOMIC DEVELOPMENT Acting Dir. Community & Econ Dev	8	6	14/20	70%
INSTITUTIONAL DEVELOPMENT Acting Dir. Corporate services	8	6	14/20	70%
FINANCIAL VIABILITY Chief Financial Officer	7	5	12/20	60%
INFRASTRUCTURAL DEVELOPMENT Acting Dir. Technical Services	7	5	12/20	60%
GODD GOVERNANCE & PUBLIC PARTICIPATION Acting Municipal Manager	9	7	16/20	80%
TOTAL AVERAGE SCORE			14/20	70%

7. SUMMARY:

- 7.1 The SDBIP is a requirement of the MFMA (Act 53 of 2003),
Section 53 and was drafted in terms the guidelines
Detailed in Circular13 from National Treasury;

8. COMMENTS BY PMS AUDIT COMMITTEE:

The service rendered by the Municipality and support is sincerely appreciated

9. SOURCES OF INFORMATION USED FOR THIS REPORT COMPLIANCE:

- Municipal Finance Management Act, Act 56 of 2003.
- MFMA Circular 13
- Municipal systems act NO 32 of 2000
- Batho Pele Principles
- 2009/2010 SDBIP
- 2009/2010 IDP

11. CONCLUSION

The performance Audit committee has finalized the Municipality performance evaluation for section 57 employees for 2009/10 financial year with **84%** which is a remarkable progress when we compare with a score for the previous year 2008/09 which was **63%**

Signed off by the Acting Municipal Manager on 26 August 2010

Municipal Manager

N.M. Mnyandu

Signature

A handwritten signature in blue ink, appearing to be 'N.M. Mnyandu', written over a light blue grid background.

MUNICIPAL TAXES AND SERVICES CHARGES

The municipality had projected **R3, 949,652** as projected income from proper rates and service charges.

This would include property rates, refuse removal, interest and other income.

From trading services we budgeted R370 000 and managed to collect R448 129.36 which is 121.12%

From Other income, we budgeted R3, 559,652 and the actual collection was R 2,268,562.75 which is 63.73% of the budget.

This picture as pasted shows that the municipality needs to put more collection strategies that will enable the municipality to collect more than it is now.

REVENUE COLLECTION FROM EACH REVENUE SOURCE IN THE APPROVED BUDGET.

1. Grants and subsidies

The municipality received two types of grants:

(a) Conditional Grants:

- | | | |
|-------|---|---|
| (i) | Municipal Infrastructural Grant (MIG) | = |
| | R12,872,000 | |
| (ii) | Finance Management Grant (FMG) | = |
| | R1,500.000 | |
| (iii) | Municipal Systems Improvement Grant(MSIG)= | |
| | R735,000 | |

(b) Unconditional Grant:

(i) Equitable Share = R27,118,000

Total revenue from grants = **R42, 225,000**

2. Other revenue (own)

Though the municipality is deep rural with almost no sound revenue base, had to have other sources of revenue.

When putting together all other sources of revenue, the municipality out of **R3, 949, 652**, collected **R2, 716, 652**

OPERATIONAL AND CAPITAL EXPENDITURE

1. Operational Expenditure

Item		Approved Budget	Actual Expenditure
Salaries, wages & allowances and Councilors remuneration		R17, 020, 424.04	R13, 992, 516.75
Repairs and maintenance		R1, 180, 000	R1, 174, 560.25
Contribution		R2, 203, 405	R1, 747, 898.67
General expenses	Operational expenses	R12, 047, 882	R10, 432, 155.05
	Subsistence & Travelling	R310, 000	R304, 228
Total		R32, 761, 711.04	R27, 347, 130.72

2. Capital Expenditure

Item	Approved Budget	Actual Expenditure
Capital Projects	R13, 373, 000	R6, 551, 144.05 (the balance would be paid in the following year as roll-over

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality like in other years had to prepare Annual Financial Statements (AFS) which would be submitted to Auditor-General by end of August 2010. The Provincial Treasury assisted the municipality through Municipal Support Programme (MSP) in the preparation of AFS. Though the deadline of 31 August 2010 was not met, but our 2009/2010 AFS were credible.

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2010

(the audited Annual Financial Statements are attached as annexure A)

AUDITOR GENERAL'S 2009/2010 REPORT

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON NKANDLA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Nkandla Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages **1** to **42**.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nkandla Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with Standards of GRAP and the manner required by the MFMA and DoRA.

Emphasis of matter

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 38 to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of corrections of prior period errors in the annual financial statements for the year ended 30 June 2010 in the financial statements at, and for the year ended, 30 June 2009.

Fruitless and wasteful expenditure

10. As disclosed in note 34 to the financial statements, fruitless and wasteful expenditure amounting to R29,474 (08/09 R38,317) was incurred.

Irregular expenditure

11. As disclosed in note 35 to the financial statements, irregular expenditure amounting to R 207,250 was incurred, due to non compliance with Municipal Supply Chain Management Regulations (Municipal SCM Regulations) and other prescripts.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages **43** to **47** do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of *General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives and compliance with Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)(MSA) and Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA).

Predetermined objectives

Non compliance with regulatory and reporting requirements

No planned measures for improvement

14. Planned measures for improvement were not reported in the performance report as required by section 46(1) (c) of the MSA

15.

Internal auditing of predetermined objectives

16. Predetermined objectives were not subjected to internal audit as required by section 45 of the MSA.

Usefulness of reported performance information

17. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following finding relates to the above criteria:

Inadequate content of integrated development plan

18. The integrated development plan of the municipality did not include the performance targets determined in terms of its performance management system, as required by section 26(i) of the MSA.

Reliability of reported performance information

19. The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?

- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following finding relates to the above criteria:

Lack of reporting on all predetermined objectives in the annual performance report

20. The municipality has not reported on all the predetermined objectives, as required by section 46 (1) (a) of the MSA.

Compliance with laws and regulations

Local Government: Municipal Systems Act

21. Contrary to the code of conduct for councillors as per schedule 1, Section 5(1) (a) of the MSA, certain councillors did not, disclose to the municipal council, to any committee of which that councillor is a member, all direct or indirect personal or private business that that councillor or any spouse, partner or business associate of that councillor may have had in any matter before council or the committee.

Local Government: Municipal Finance Management Act

22. Payments for goods and services were not made within 30 days of receipt of invoice as required by section 65 (2) (e) of the MFMA.
23. The financial statements were not submitted on time as required by section 126 (1) (a) of the MFMA.
24. The municipality did not charge interest on arrear debtors as required by section 64 (2) (g) of the MFMA.

Municipal Supply Chain Management Regulations (Municipal SCM regulations)

25. Tender Process was not followed when procuring goods and services as required by paragraph 12 (1) (d) of the Municipal SCM Regulations.

Internal Control

26. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and the MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
27. The matters reported are limited to the deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

28. The accounting officer has not exercised adequate oversight responsibility and taken adequate steps to mitigate risks over financial reporting, compliance with the MSA and the report on predetermined objectives.

Financial and performance management

29. The financial statements and pre-determined objectives were subject to material adjustments resulting from the audit.

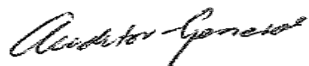
Governance

30. Internal audit did not fulfil its responsibilities as set out in law with regard to review and reporting on organisational predetermined objectives and the audit committee has not monitored internal audit activities and such quarterly reports.

OTHER REPORTS

Investigation

31. An investigation was conducted by an independent consulting firm. The investigation was initiated based on the allegation of possible contravention of Municipal SCM Regulations and over-payment to service provider. The investigation has resulted in dismissal of a municipal employee.



Pietermaritzburg

07 January 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ACTION PLAN TO ADDRESS QUERIES RAISED BY THE AUDITOR GENERAL

AUDITOR GENERAL'S FINDING	MANAGEMENT RESPONSE	ACTION	DEADLINE
1. No planned measures for improvement in the annual performance report	The PMS report was corrected and submitted to Auditor General. However findings are accepted and recommendations will be implemented.	Measures for improvement will be indicated on all TARGETS NOT ACHIEVED	30/01/2011
2. Performance targets do not have actual performance reported on.	Management agrees with findings and recommendations will be implemented.	All set targets will be reported on	30/03/2011
3. Performance targets as reported on in the annual performance are not included in the IDP.	Management agrees with findings and recommendations will be implemented	The Implementation Plan will be included in the IDP	30 May 2011
4. Councilors who according to a CIPRO check do have interests, which were not included on declarations.	Some councilors did disclose their business interest, the management agrees with findings and recommendation	Council & staff information will be updated in their files	30/01/2011
5. An award was made to a Consultant for the preparation of the Fixed asset Register at the amount of R207 250.00 without following the	The management agrees with the finding. The service provider appointed to prepare FAR which was to form part of 2008/2009 AFS.	SCM provisions will be closely monitored and adhered to. The disclosure was made in 2009'10 AFS particularly for	30/01/2011

normal tender process.		this.	
6. The payments were not made within 30 days of receipt of invoice	The finding is noted by management	All payments will be made within 30 days of receipt of invoice	30/01/2011
7. The accounting officer must prepare the annual financial statement of the municipality and , within two months after the end of the financial year to which those statements relates	The management agrees to the findings and will ensure that this non compliance with laws and regulations is avoided by beginning the process of preparation of financial statement early in the near future.	The AFS will be prepared and submitted on time. All processes involved in the preparation of AFS will be finalized on time so that AFS are credible and submitted on time.	30/08/2011
8. The accounting officer must take all reasonable steps to ensure that the municipal charges, interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and with a prescribed framework	The management agrees with the finding. The municipality does not currently charge interest on overdue debtors and the accounting system is currently not configured to charge interest on overdue debtors accounts	Interest will be charged on all overdue debtors	30/01/2011
9. There was no indication of invoice receipt date in other invoices, making it difficult to monitor compliance with the law.	The finding is noted by management. Going forward management will exercise strict controls over the payment process and promote good and effective internal control environment.	All invoices will be stamped "date stamped" on receipt	30/01/2011

10. The employees were permitted to work more than ten hours of overtime.	The recommendation is accepted and control will be implementation. We have made the arrangement and have made a Mayor Driver's allowance to cover hours worked above to the normal overtime hours.	No employee will be allowed to work more hours of over-time than that allowed	30/01/2011
11. The employees took unpaid leave due to a strike in July 2009.	Management agrees to the auditor findings and control will be implemented in the 2010/2011 financial year.	Accurate records will be kept in the employees files	30/01/2011
12. Tenants occupied municipality's property but there was no lease agreement were in place	The management agree to the auditor's findings and going forward lease agreement will be drafted and signed by the tenant and the municipal representative for the current year 2010/2011	All tenants will sign occupation contracts (Lease agreements)	30/01/2011
13. Nkandla Municipality did not comply with the minimum requirement of the MFMA regarding SCM policies.	The management acknowledges the auditors' findings and going forward the SCM Policy will be reviewed in the 2010/2011 financial year and necessary adjustments to the policy will be effected.	Policy will be reviewed in the 2010/2011 financial year and necessary adjustments to the policy will be effected.	30/06/2011

Report for the Audit Committee for the Financial Year End 2009/2010

The Audit Committee is pleased to present its first report for the financial year ended 30 June 2010 as required by the Municipal Finance Management Act, Act 56 of 2003

The Audit committee consists of the following members and has met four (4) times during the financial year. During this period the committee also met the Local Municipal Council to provide its feedback and to deliberate on the matters of importance to the affairs of the Municipality.

Name	Position	Number of meetings attended	Date of Appointment	Fees Paid
D.M. Mthembu	Chairperson	4	01/10/2009	R4,000 for seating plus travelling costs
T. Hlongwa	Member	4	01/10/2009	R3,000 for seating plus travelling costs
L. Masiteng	Member	4	01/10/2009	R3,000 for seating plus travelling costs

Audit Committee Responsibilities

The Audit Committee Charter provides the terms of reference and the oversight responsibility as stipulated in the MFMA Act. The committee has ably regulated its affairs in compliance with the charter and has therefore discharged all its responsibilities as contained herein.

Internal Control and Risk Management

The systems and controls are designed to provide the Municipality appropriate and effective measures to ensure cost effective assurance that the assets are safeguarded and the liabilities and work capital are efficiently managed. In line with all relevant statutory requirements and good governance requirements, Internal Audit was appointed to provide the Audit Committee and management the assurance that internal controls are adequate and effective to mitigate the risks applicable to the Municipality. While the start of the year had a number of delays and a lot of work had to be done under pressure, the Audit Committee managed to ensure that the following issues were done:

- Risk Management,
- Responses to the AG's management report

- Internal Audit Charter,
- Risk assessment plan,
- Audit Readiness plan,
- Identification of risk areas and proper actions to areas that required investigations and further actions,
- Provision of support and guidance to the Municipal Manager & Chief Financial Officer.

The Audit Committee, while recognizing that there are still a number of areas that need improvement such as the IT system, financial systems, policies and procedures, the committee is of the opinion, based on available information and explanation given by management and the internal auditors and discussions with the Auditor General that the financial report presented herein is reliable and adequately a true record of the financial year end.

Evaluation of the Annual Financial Statements

Following our review of the Annual Financial Statements for the year ended 30 June 2010, we are of the opinion that they comply with relevant requirements of the **Generally Recognized Accounting Practice (GRAP)**.

The committee concurs and agrees with the Internal Audit final report.

Recommendations by Audit Committee

While commending management for the greatest work they did to produce credible Annual Financial Statements; however the legislative due date was not met. AFS were submitted a month late.

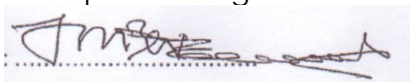
It is therefore recommended that, while striving for the credible AFS in the next financial year, the legislative due date (end of August) must at all cost be met.

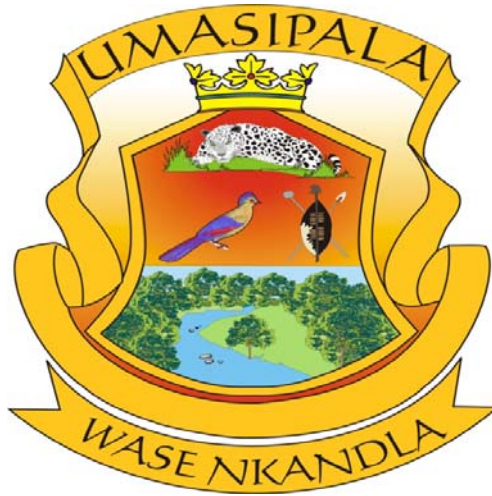
Auditor General

We have met with the Auditor General South Africa and have resolved all the issues raised.

Approved on **21** of **December** 2010

Chairperson's signature:





NKANDLA LOCAL MUNICIPALITY

OVERSIGHT COMMITTEE REPORT

ON THE

ANNUAL REPORT 2009/2010

1. PURPOSE OF THE REPORT

To consider the municipality's Annual Report for the 2009/2010 financial period and to adopt an Oversight Report containing the Council's comments on the Annual Report in terms of section 129(1) of the Municipal Finance Management Act (MFMA) (Act 56 of 2003).

2. BACKGROUND

Legal Background:

Section 121(1) Every municipality must for each financial year prepare an annual report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129 of the MFMA.

According to section 129(1) of the MFMA: The Council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the Council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council has:

- (a) approved the annual report with or without reservations;
- (b) rejected the annual report; or
- (c) referred the annual report back for revision of those components that can be revised.

The purpose of an annual report is:-

- a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- b) To provide a report on performance against the budget of the municipality for the financial year; and
- c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

The annual report of a municipality must include:-

- a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;
- e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- f) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;

- g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);

3. PROCESS

Submission and tabling of the annual report:

The annual report of the municipality for the 2009/2010 financial year was tabled to Council at a meeting held on the 20 January 2011 in accordance with the requirements of section 127(2) of the Municipal Finance Management Act, 56 of 2003 (MFMA)

After the tabling of the 2009/2010 Annual Report on 20 January 2011, in line with section 129 (1) of the MFMA, the Nkandla Municipality allowed for the public comments regarding the 2009/201 Annual Report.

Oversight Committee:

- An Oversight Committee was established in terms of section 79 of the Municipal Structures Act, 1998, to review the Annual report of the Council and to prepare the Oversight Annual report.
- The Oversight Committee comprises of non-executive Councilors as nominated by Council and the chairperson who was chosen from amongst members.
- The Oversight Committee members are:
 1. Cllr BV Khanyile (Chairperson)
 2. Cllr PR Dlamini (Deputy Chairperson)
 3. Cllr MN Mthombeni
 4. Cllr TM Dladla
 5. Cllr BB Dlomo

4. COUNCIL'S COMMENTS

4.1 MFMA Section 129

(1) states that the Council of a municipality must consider the annual report of the municipality.... and by not later than two months from the date on which the annual report was tabled in the Council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations,
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

4.2 Council's Comments on the annual report

The Annual report was table to Council on 20 January 2011. The Council made the following comments:

- (a) The Annual report submitted in accordance with MFMA Section 121 & 127 having been commented on by Auditor-General and Department of Co-operative Governance & Traditional Affairs in the Province, be accepted.
- (b) The report be tabled in the Oversight Committee's meeting and the Oversight report in the Annual report be submitted to council within two months from the 20th of January 2011.

5. OVERSIGHT COMMITTEE COMMENTS

Annual Financial Statements

- The late submission of Annual Financial Statements posed a serious threat in overall municipal performance and compliance. Non-compliance is condemned; however it must be acknowledged that the quality & credible Annual Financial Statements were submitted on 30 September 2010.
- Notwithstanding the statement above, the opinion of the Auditor General is hereby acknowledged. Progressive steps should be taken to ensure that the same occurrence is avoided in future.

Performance Report

- The overall performance of the municipality has been tallied to 84%, this is commended, and mitigating actions should be taken where targets were not met to ensure that these activities are achieved.
- It has been noted that there is an improvement from the previous year performance. Caution should be exercised when planning where there are cross cutting activities that in some instances the municipality does not have total control over. This does not rule out the fact that where an individual should be held accountable that must occur.
- The planned measures on improvements of performance should be included in the performance report as per section 46(1)(c) of the Municipal Systems Act.

General Issues:

- The effort put in by Management and Exco in ensuring that there is sound financial management within the municipality is applauded.
- The municipality should try to maximize the advantage of the conditional grants for capital expenditure to improve the service delivery in terms of the development of infrastructure. The municipality under spent by R 6,821,856 in terms of the budget allocated and this should have been used for the improvement of infrastructure.
- An improvement was noted however that the municipality spent R 5,414,581 less than budgeted.
- An action plan for issues raised by the Auditor General be should be made a standing item to the Executive Committee and Council and Internal Audit and the Audit Committee must advise Council on its implementation.

6. **RECOMMENDATIONS BY OVERSIGHT COMMITTEE**

- Recommended that Council having fully considered the Annual report for Nkandla Municipality and presentations thereon in terms of section 129(1) of the Municipal Finance Management Act, 2003, adopts the report after accepting the corrections as recommended by the Oversight Committee.
- That the Oversight report in the Annual report for the 2009/2010 financial year be adopted.

Signed at Nkandla on 11 March. 2011, by

A handwritten signature in black ink, appearing to be 'B.V. Khanyile', written over a dotted line.

Councillor B.V. Khanyile
Chairperson: Oversight Committee

ANNEXURE A: AUDITED ANNUAL FINANCIAL STATEMENTS